

ACTION

AGENDA ITEM: Access Services: Multitype Pilot Loan Programs

ISSUES TO COME BEFORE THE BOARD AT THIS MEETING :

1. Consideration of funding for support of the extension of the interlibrary loan pilot program through June 30, 2001.
2. Consideration of membership in the LoC as a requirement for participation in the interlibrary loan pilot program.

<p><u>RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:</u> I move that the Library of California Board direct its Chief Executive Officer to allocate 2000/2001 Library of California funds not to exceed \$300,000 to support the extension of the current interlibrary loan pilot program through June 30, 2001.</p>

<p><u>RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:</u> I move that the Library of California Board require all libraries enrolled in the interlibrary loan pilot program to be a member or a participating library of a member of the Library of California, effective July 1, 2001.</p>

Interlibrary Loan Pilot Program:

ISSUE 1: Consideration of funding for support of the extension of the interlibrary loan pilot program through June 30, 2001.

BACKGROUND:

At its June 2000 meeting, the Board allocated \$500,000 of the Library of California FY 2000/2001 budget to fund the extension of the interlibrary loan pilot program through December 31, 2000. Staff has estimated that reimbursement costs for all of FY 2000/2001 (July through June) will total between \$700,000 and \$800,000. Since \$500,000 has already been allocated from current fiscal year funds, an additional \$300,000 should cover the full year costs.

At this meeting the Board must decide if the pilot will be extended to cover the full fiscal year. Staff is not requesting ongoing funding beyond the current fiscal year because of

the uncertainty at this time of the level of Library of California funding in FY 2001/2002. Nonetheless, a decision must be made about current fiscal year funding so that there will be adequate time to alert participants in the pilot program.

If the Board decides not to extend the interlibrary loan pilot program beyond December 31, 2000:

- There will be an additional \$300,000 to \$400,000 of current fiscal year Library of California funds to spend on other programs.
- One of the few visible, ongoing Library of California service programs will cease.
- All state loan reimbursements will come from CLSA funds. Most California non-public libraries will have the option of claiming reimbursement for their loans to public libraries from CLSA funds. The effect of this will be the shift back to CLSA of a specific program element that had been moved to Library of California funding. It also will reduce the total amount of funds currently available for interlibrary loan reimbursement to public libraries.

If the Board does decide to extend the interlibrary loan pilot through June 30, 2001:

- An additional \$300,000 beyond what has already been allocated from current fiscal year Library of California funds will be necessary to fund the pilot program.
- The first operating service program of the Library of California will continue.
- All state loan reimbursements for non-public libraries will continue to be funded by the Library of California. Public library loan reimbursements will continue to be funded by CLSA.

Recommendation:

Staff believes the only real disadvantage of extending the pilot – reducing the amount of funds available for other Library of California statewide or regional programs by \$300,000 to \$400,000 (approximately 10% of total Library of California local assistance funds) – is outweighed by the negative effects of ending the pilot. Although loan reimbursement to non-public libraries admittedly has been a small part of the CLSA program, transferring it to the Library of California and expanding its scope has brought parity to non-public libraries in this area. Moving non-public library reimbursement back to CLSA would reduce its scope and certainly would not assist in the transition of CLSA services to the Library of California. Even though the Board may eventually determine that the current CLSA transaction based reimbursement program will not be the model used to develop protocols and formulas for the interlibrary loan component of Library of California access services, staff believes it would be premature to discontinue funding the ILL pilot program at this time. Staff recommends that the Board extend the pilot through

June 30, 2001. Staff will recommend further action regarding funding the pilot beyond that date when more 2001/2002 budget information is available.

ISSUE 2: Consideration of membership in the Library of California as a requirement for participation in the interlibrary loan pilot program.

BACKGROUND:

During its discussions when it originally approved the formation and funding of the interlibrary loan pilot program, the Board clearly intended that the participants in the pilot become members of the Library of California once their respective planning regions were designated regional library networks by the Board. Provided the Board accepts the applications of the remaining four planning regions at this (November) meeting, all seven regional library networks will be operational by January 1, 2001.

Recommendation:

Staff recommends that if the Board does decide to set policy requiring Library of California membership in order to participate in the pilot program, it should be done at this meeting and not go into effect until July 1, 2001, in order to give adequate notice to libraries currently participating in the pilot (staff also recognizes that funding of the pilot beyond June 30, 2001 has not yet been determined). Because this program is still considered a pilot, staff counsel has indicated that the Board has some flexibility in setting policy regarding participation in the pilot program. Specifically, pilot participants do not have to be Library of California members in order to receive reimbursement (however, this will not be the case once the program status changes from a pilot to a permanent program).

Currently 56% of the pilot program participants are members or participating libraries of members of the Library of California. This figure is based on member applications brought before the Board in August and at this meeting. Staff expects the percentage to increase somewhat regardless if the Board requires Library of California membership or not, as part of the normal process of additional libraries applying for membership.

Even so, staff recommends that membership in the Library of California be required of all libraries participating in the pilot, beginning July 1, 2001, provided the pilot program is extended beyond that date or its status changes from pilot to permanent. This will give those participants who are not members more than six months to decide whether to apply for membership, and also will ensure future fair allotment and distribution of Library of California loan compensations.

GENERAL OVERALL PROGRAM UPDATE:

Focus Group on Loan Compensation

BACKGROUND/CURRENT STATUS:

A focus group comprised of representative librarians from Library of California planning regions and State Library staff met on May 18 to review Himmel and Wilson's report, *Supporting Interlibrary Loan and Direct Loan Services in California's Multitype Library Environment*, and to advise and assist staff in developing recommendations for the Board regarding interlibrary loan and direct loan compensation. Consultant Joan Frye Williams was discussion leader and also wrote the summary report.

The focus group did not follow the Himmel and Wilson recommendation to continue the current transaction-based reimbursement program and expand it to include all types of libraries, but instead suggested a multi-tiered, multitype library loan compensation program, where all participants received some level of compensation.

Briefly, the focus group consensus was to recommend a more creative approach to loan compensation, based on these concepts:

- Provide sign-up incentives for new participants
- Don't limit compensation to cash payments
- In a multitype environment, one size does not fit all
- Provide baseline compensation annually
- Compensate all loans, both interlibrary and direct (no net imbalance)
- Recognize the efforts of "top tier" lenders
- Invest in infrastructure to manage and monitor loan activity electronically

Most of these proposals are outside current practice and may be outside current law. Because of this, participants felt that the group's work should be distributed to the library community for further comment before staff proposals are delivered to the Library of California Board for comment and direction.

Therefore, staff has widely distributed the focus group's report and has asked for comments. The report is also available on the Library of California Web site, and comments have been solicited through a posting on CALIX as well as through messages sent to all public library directors, CLSA system coordinators, and others interested in Library of California programs. After the original call for comments yielded responses from five institutions (which were included in the August 2000 report to the Board), the deadline was extended and additional comments were requested from the field.

As of October 23, 2000, staff had received a total of 20 responses, representing five Library of California regions, broken out as follows:

Type of library	Region					Total
	Cascade Pacific	Golden Gateway	Sierra Valley	Arroyo Seco	Tierra del Sol	
County				6	2	8
City	1	2		1	1	4
Academic		1	1	1	1	5
School		1				1
CLSA Sys	1			1		2
	2	4	1	9	4	20

Exhibit A is the original Focus Group summary report, annotated with the comments received by staff. The numbering system (City #1, Academic #3) was done partly for internal tracking purposes, but also to allow Board members and the field to observe how one library commented on different issues.

In order to give the Board a better idea of how the respondents reacted to the seven concepts in the report, staff attempted to isolate those comments which were fairly clear about whether the respondent agreed or disagreed with a specific concept. As you will observe in reading the annotated report, many comments were not so clear-cut. In addition, there were many comments that appeared to be directed at other sections of the report. In any case, staff did construct a table, Exhibit B, where comments appeared to obviously agree or disagree on the seven concepts. The concepts regarding cash compensation, compensating all loan transactions, and rewarding “top-tier” lenders attracted more definite opinions one way or the other.

Although the return rate for comments was low, staff will review and consider all of these statements as models, formulas, and regulations are developed and will welcome Board members’ comments. As reported at the last Board meeting, staff is planning a number of activities in developing the Library of California interlibrary loan and direct loan programs.

- ◆ Staff hopes to issue soon a Request for Proposal for the purpose of conducting a new cost study of the handling costs for interlibrary loan and direct loan. There must be a cost basis for any loan compensation plan either to determine a reimbursement rate or to use as a base value for other types of compensation, and both the focus group participants and the libraries submitting comments agreed that handling costs should be the primary consideration for this basis. The current CLSA method of computing handling costs is based on a 1985 cost study. The number of libraries now employing automated circulation systems, as opposed to manual systems, has increased dramatically since then. It is clear that the handling

cost factors from the 1985 study must be reevaluated for their appropriateness in today's circulation methods and procedures. Also, current circulation systems must be examined for handling factors not included or in existence in 1985.

- ◆ Begin to develop a model and compensation plan for delivery of interlibrary loan materials from the loaning library to the requesting library, as required by Library of California statute and regulation. Focus group participants agreed that document delivery was part and parcel of any loan program, as did several respondents, and staff has repeatedly heard similar comments while in the field.
- ◆ Develop a revised compensation model for Library of California interlibrary loan and direct loan programs.
- ◆ Begin to develop draft regulations for the interlibrary loan and direct loan components of Library of California access services.

RELATED ISSUES TO COME BEFORE THE BOARD IN THE FUTURE:

1. What funding formulas are appropriate for the loan components of Library of California access services?
2. What onsite, patron referral services should be supported under the Library of California, and what funding formulas are appropriate?
3. How will electronic direct access services be defined, authorized, delivered, and funded?

Relevant Committee: Access Services
Staff Liaison: Tom Andersen